

## CHAPTER 13. FINANCIAL PLANNING

### Subchapter A. DEFINITIONS

#### Section

#### 13.1. Definitions.

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Auxiliary Enterprise – Activities providing a service to students, faculty, or staff for a fee directly related to, although not necessarily equal to, the cost of the service.

(2) Available University Fund (AUF) – A fund established in Article 7, Section 18, of the Texas Constitution to receive all interest and earnings of the Permanent University Fund and used to pay the debt service on PUF-backed bonds.

(3) Base Year – the semesters comprising the year of contact hours used for applying the formula funding distribution to the colleges and universities (usually the summer and fall of even years and the spring of odd years).

(4) Board or Coordinating Board – The Texas Higher Education Coordinating Board.

(5) Contact Hour – A time unit of instruction used by community, technical, and state colleges consisting of 60 minutes, of which 50 minutes must be direct instruction.

(6) Current Operating Funds – Unrestricted (appropriated) funds, designated funds, restricted funds, and auxiliary enterprise funds.

(7) Developmental Coursework – Non-degree-credit courses designed to address a student's deficiencies.

(8) Developmental Education – Courses, tutorials, laboratories, or other efforts to bring student skills in reading, writing, and mathematics to entering college level. English as a Second Language (ESL) courses may be considered developmental education, but only when they are used to bring student skill levels in reading or writing to entering college level. The term as used in this chapter does not include courses in study skills or thinking skills.

(9) [8] Formula Funding – The method used to allocate appropriated sources of funds among institutions of higher education.

(10) [9] Functional categories – Instruction, research, public service, academic

support, student service, institutional support, operation and maintenance of plant, and hospital as defined by NACUBO.

(11) ~~[10]~~ General Academic Teaching Institution – Any college, university, or institution so classified in Chapter 61, Texas Education Code, or created and so classified by law.

(12) ~~[11]~~ General Revenue (GR) – State tax revenue

(13) ~~[12]~~ Governmental Accounting Standards Board (GASB) – An entity created by the Financial Accounting Foundation to set accounting standards for governmental entities including public institutions of higher education.

(14) ~~[13]~~ Higher Education Assistance Fund (HEAF) – A fund established in Article 7, Section 17, of the Texas Constitution to fund capital improvements and capital equipment for institutions not included in the Permanent University Fund.

(15) ~~[14]~~ Institution of Higher Education or Institution – any public technical institute, public junior college, public senior college or university, medical or dental unit or other agency of higher education as defined in this section.

(16) ~~[15]~~ Institutional Expenditures – All costs of activities separately organized and operated in connection with instructional departments primarily for the purpose of giving professional training to students as a necessary part of the educational work of the related departments.

(17) ~~[16]~~ Institutional Funds – Fees, gifts, grants, contracts, and patient revenue, not appropriated by the legislature.

(18) ~~[17]~~ Local Funds – Tuition, certain fees, and other educational general revenue appropriated by the legislature.

(19) ~~[18]~~ National Association of College and University Business Officers (NACUBO) – Provides guidance in business operations of higher education institutions.

(20) ~~[19]~~ Non-Degree-Credit Developmental Courses – Courses intended for remedial or compensatory education that bear only institutional credit and are not counted toward the total for a degree or certificate program.

(21) ~~[20]~~ Permanent University Fund (PUF) – A fund established in Article 7, Section 11, of the Texas Constitution to fund capital improvements and capital equipment at certain institutions of higher education.

(22) ~~[21]~~ Public Junior College, Public Technical Institute, or Public State College – Any college or institute so classified in the Texas Education Code, Section 61.003, or created and so classified by law.

(23) ~~[22]~~ Semester Credit Hour – A unit of measure of instruction consisting of 60

minutes, of which 50 minutes must be direct instruction, over a 15-week period in a semester system or a 10-week period in a quarter system.

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### Subchapter B. FORMULA FUNDING

#### Section

- 13.20. Purpose.
- 13.21. Authority.
- 13.22. Community and Technical College Formulas.
- 13.23. General Academic Institution Formulas.
- 13.24. Health-Related Institution Formulas.
- 13.25. Formula Funding Exceptions.

#### 13.20. Purpose.

The purpose of this subchapter is to establish procedures for making formula funding recommendations to the Governor and the Legislature and to except from such funding certain semester credit hours or contact hours.

#### 13.21. Authority.

Texas Education Code, Section 61.059 directs the Texas Higher Education Coordinating Board to review and revise formulas for use of the Governor and Legislative Budget Board in making appropriations recommendations. Texas Education Code, Section 51.307, authorizes the Board to implement the provisions of the Texas Success Initiative.

#### 13.22. Community and Technical College Formulas.

##### (a) Formula Advisory Committee.

##### (1) - (4) No changes

(5) The committee shall identify funding incentives that would encourage implementation by community and technical colleges of the state's plan for higher education as specified in the Texas Education Code, Section 61.051 (a-3).

(6) The committee shall provide an opportunity for institutions, the general public and other interested persons to provide testimony.

(7) The committee shall make its recommendations to the Commissioner no later than the February 1 of the year following its appointment.

##### (b) Report of Fundable Operating Expenses ~~[All Funds Expenditure Study]~~.

(1) The Board shall conduct a study of expenses ~~[expenditures]~~ at

community colleges, Texas State Technical College, and Texas State University System two-year institutions each year.

(2) The study shall encompass all ~~expenses~~ ~~[expenditures]~~ made by these institutions for instruction and administration from all sources of funds including appropriated general revenue, tuition and fees, contract instruction, other educational and general revenue, ~~[and]~~ local tax revenue, ~~and~~ ~~[but not including]~~ restricted gifts and grants.

(3) Each college shall report total instructional ~~expenses~~ ~~[expenditures]~~ and contact hours for each instructional discipline included on a list provided by the Coordinating Board and total ~~expenses~~ ~~[expenditures]~~ for administration, including institutional support, student services, library, instructional administration, organized activities, ~~instructional staff~~ ~~[and]~~ benefits ~~and~~ ~~[not paid by the state]~~ excluding physical plant employees.

(4) No change

(c) Community and Technical College Formula Recommendation.

(1) – (3) No changes

(4) After adoption, the Commissioner shall transmit the Board's recommendations to the Governor, the Legislature, and the Legislative Budget Board no later than June 1 of each even-numbered year.

### 13.23. General Academic Institution Formulas.

(a) Formula Advisory Committee.

(1) – (4) No changes

(5) The committee shall identify funding incentives that would encourage implementation by general academic institutions of the state's plan for higher education as specified in the Texas Education Code, Section 61.051 (a-3).

(6) The committee shall provide an opportunity for institutions, the general public and other interested persons to provide testimony.

(7) The formula advisory committee may appoint two study committees, one for the instructional and operations formula and another for the infrastructure formula. The study committees may include members from the formula advisory committees and other institutional representatives as appropriate. The infrastructure study committee will include at least one representative from the Texas State Technical College System or the two-year colleges in the Texas State University System.

(8) The formula study committees shall make their recommendations to the formula advisory committee no later than the January 15 of the year following its

appointment.

(9) The formula advisory committee shall make its recommendations to the Commissioner no later than the February 1 of the year following its appointment.

(b) General Academic Institution Formula Recommendation.

(1) – (3) No changes

(4) After adoption, the Commissioner shall transmit the Board's recommendations to the Governor, the Legislature, and the Legislative Budget Board no later than June 1 of each even-numbered year.

13.24. Health-Related Institution Formulas.

(a) Formula Advisory Committee.

(1) – (4) No changes

(5) The committee shall identify funding incentives that would encourage implementation by health-related institutions of the state's plan for higher education as specified in the Texas Education Code, Section 61.051 (a-3).

(6) The committee shall provide an opportunity for institutions, the general public and other interested persons to provide testimony.

(7) The formula advisory committee may appoint two study committees, one for the instructional and operations formula and another for the infrastructure formula. The study committees may include members from the formula advisory committees and other institutional representatives as appropriate.

(8) The formula study committees shall make their recommendations to the formula advisory committee no later than the January 15 of the year following its appointment.

(9) The formula advisory committee shall make its recommendations to the Commissioner no later than the February 1 of the year following its appointment.

(b) Health-Related Institution Formula Recommendation.

(1) – (3) No changes

(4) After adoption, the Commissioner shall transmit the Board's recommendations to the Governor, the Legislature, and the Legislative Budget Board no later than June 1 of each even-numbered years.

13.25 Formula Funding Exceptions

(a) During each base year and non-base year, an institution or community college district shall not submit for formula funding any semester credit hours or contact hours attempted by a student who has enrolled in any course, other than a non-degree-credit developmental course, containing the same content for a third or more times at their institution since Fall Semester 2002. This provision is effective for the Spring 2004 semester for credit students and for Third Quarter 2004 for continuing education students.

(b) During each base year and non-base year, an institution shall not submit for formula funding any semester credit hours attempted by a student who has enrolled in development coursework, if the semester credit hours for that student in development coursework exceeds 18 semester credit hours, for a general academic teaching institution, or 27 semester credit hours for a public junior college, public technical institute, or public state college.

(c) English as a Second Language (ESL) hours may be used for developmental education purposes when a student is placed in such courses as a result of failing the reading or writing portion of a test required by the Texas Success Initiative. However, when used for such purposes, ESL hours shall be counted toward the 18/27 hour cap.

(d) Semester credit hours or contact hours attempted by students for the following types of coursework are exempt from the provisions of this section:

(1) thesis and dissertation courses.

(2) courses that may be repeated for credit because they involve different or more advanced content each time they are taken, including but not limited to, individual music lessons, Workforce Education Course Manual Special Topics courses (when the topic changes), theater practicum, music performance, ensembles, certain physical education and kinesiology courses, and studio art.

(3) independent study courses, ~~except when the independent study course has the same content as a course the student has already taken two or more times.~~

(4) special topics and seminar courses ~~that may be repeated for credit with different content, except when a special topics course has the same content as a course the student has already taken two or more times.~~

(5) Continuing education courses that must be repeated to retain professional certification.

(6) Developmental Education coursework taken for a third or more times may be submitted for formula funding if the coursework is within the 27-hour limit at two-year colleges and the 18-hour limit at general academic institutions specified in (b) of this Section.



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### Subchapter C. BUDGETS

#### Section

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- 13.42. Budget Approval.
- 13.43. Distribution of Budgets.
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- 13.45. Format of Current Operating Funds Budgets.
- 13.46. Format for Permanent University Fund/Available University Fund (PUF/AUF) Budget.
- 13.47. Format for Higher Education Assistance Fund (HEAF) Budget.

#### 13.43. Distribution of Budgets.

Copies of the current operating funds, PUF/AUF, and HEAF budget shall be furnished to the Board (two copies), the Governor's Budget and Planning Office, Legislative Budget Board, and Legislative Reference Library by December 1 of each fiscal year. Copies shall be maintained in the institution's library.

#### 13.45. Format of Current Operating Funds Budgets.

The operating budgets shall:

- (1) – (3) No changes
- (4) include a summary of the instructional budget by college or school for the current and preceding year;
- (5) include a summary by amount and method of finance for each listed informational item in the general appropriation act, and
- (6) be prepared within the limits of revenue available.

#### 13.46. Format for Permanent University Fund/Available University Fund (PUF/AUF) Budget.

No changes

#### 13.47. Format for Higher Education Assistance Fund (HEAF) Budget.

No changes

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### Subchapter D. FINANCIAL REPORTING

#### Section

13.60. Purpose.

13.61. Authority.

13.62. Community Colleges.

13.63. Additional Financial Information Reporting for each university system, general academic institution, community, technical or state college, and health-related institution.

13.64. Available University Fund (AUF) Reporting.

13.60. – 13.62. No changes

#### 13.63 Additional Financial Information Reporting.

(a) Each university system, general academic institution, ~~community~~, technical or state college, and health-related institution shall ~~[continue to]~~ provide to the Board financial data related to the operation of each system office and institution ~~[as it was reported in the 2004 annual financial report]~~. This information should be reported in the Board's institution's annual report of financial activity by fund group.

(b) Each community college shall continue to provide to the Board financial data related to the operation of each community/junior college reflecting restricted and non-restricted operating revenues and operating expenses as directed by the Board.

(c) Each system office and institution of higher education shall provide the report no later than January 1 of each year using the specific content and format prescribed by the Board.

#### 13.64 Available University Fund (AUF) Reporting.

(a) The University of Texas System Board of Regents and the Texas A & M University System Board of Regents shall report the uses of the Available University Fund (AUF) for each system component and for system office operations for the two previous years, the current year, and two future years (projected), including:

- (1) Debt service allocations, by component,
- (2) Bond proceeds allocations, by component,
- (3) Excellence allocations (by component), or system office, and their purposes,
- (4) Available University Fund income, interest, beginning- and end-of-year balances; and

(5) The rationale used by the respective boards to distribute AUF funds.

(b) In addition, by December 1 of each year, authorized managers of permanent funds and endowments whose earnings are appropriated in the General Appropriation Act shall submit an annual financial report that shall include, at a minimum, an income statement and balance sheet and a summary of the investment return of the fund during the preceding fiscal year. The annual financial report shall also contain:

(1) A summary of all gains, losses, and income from investments and an itemized list of all securities held for the fund on August 31;

(2) Any other information necessary to indicate clearly the nature and extent of investments made of the fund and all income realized from the components of the fund.

(c) The annual financial report shall be distributed to the Governor, the Legislature, the Legislative Budget Board, and the Board by December 1 of each year.

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### SUBCHAPTER K. TECHNOLOGY WORKFORCE DEVELOPMENT GRANT PROGRAM

#### Section

- 13.190. Authority, Scope, and Purpose
- 13.191. Definitions.
- 13.192. Advisory Committee.
- 13.193. Proposal Solicitation.
- 13.194. Proposal Evaluation.
- 13.195. Grants.
- 13.196. Reporting.
- 13.197. External Evaluation.

#### 13.190. Authority, Scope, and Purpose.

(a) Authority. Authority for this subchapter is provided in the Texas Education Code, Subchapter V, Technology Workforce Development. These rules establish rules for administering the grant program as prescribed in the Texas Education Code, Sections 51.851 through 51.860.

(b) Scope. Unless otherwise noted, this subchapter applies to any Texas institution of higher education seeking funding under this program.

(c) Purpose. The purpose of this program is to provide grants to eligible institutions of higher education to undertake programs to increase the number of graduates with baccalaureate degrees in engineering and computer science.

#### 13.193. Proposal Solicitation.

(a) At least once each biennium, and no more often than once each fiscal year, the Board shall authorize distribution of a request for proposals.

(b) The request for proposals shall be distributed to all members of the consortium at least 30 working days prior to the due date for proposals.

(c) The request for proposals shall contain all information necessary to prepare a grant proposal for the program including the financial and other resources available for distribution, the evaluation criteria that will be used by the review panels, and the award selection criteria that shall be used in funding projects.

(d) The request for proposals shall include grant conditions that will describe eligible uses of grant funds, reporting requirements, and relevant administrative restrictions associated

with the grants.

(e) Eligible institutions shall submit their proposals in the manner and format specified by the Coordinating Board with all requested information included.

13.194. Proposal Evaluation and Project Selection.

(a) The Commissioner shall organize a competitive, peer-review system for evaluating proposals.

(b) Prior to the review panel meetings, the advisory committee shall establish the criteria for allocating available funds to projects ranked by peer review. The criteria shall be published on the Coordinating Board's web site.

(c) In evaluating proposals, reviewers shall consider the quality of the academic program, placement record for recent graduates, the feasibility of the institution's plans for increasing enrollments and graduates, and the cost-effectiveness of those plans. The review panels shall deliver a ranked list of competitively selected proposals to the Commissioner.

(d) The advisory committee shall review the selections of the reviewers and the recommendations of the staff and make recommendations to the Board. A committee member shall publicly disclose any personal, professional, or private interest in a proposal pending before the committee and shall not vote or otherwise participate in the decision regarding proposal recommendations. A committee member shall not be personally involved in handling any proposal, award, or other matter in which the member, a member's immediate family, a member's general business partner, or a member's institution has or may have a financial interest.

(e) Any information related to the evaluation and selection of proposals for the grant awards shall be confidential unless released by the Board pursuant to Subsections (f) and (g) of this section.

(f) Reviews will not be disclosed to persons outside the Board at any time, except that each project leader (grant applicant) will receive a copy of the reviewers of his or her proposal with the names, affiliations, and any other identifying characteristics of the reviewers redacted; and

(g) The names and affiliations of reviewers will be released as a group, without an identifying link to any grant application, until after the review process is complete.

(h) Decisions of the Commissioner/Board are final.

13.195. Grants.

(a) Grants shall be funded from the technology workforce development account in the general revenue fund and may include both money and in-kind contributions accepted by the Comptroller.

- (b) Grants shall be for a period of no longer than five years.
- (c) Grants shall be made to eligible institutions.
- (d) After making a finding that an institution has failed to perform or failed to conform to grant conditions, the Commissioner may retract or reduce a grant.
- (e) Grants must be used to fund new projects or activities or the expansion of existing activities. Grants may not be used to replace current funding for an existing project or activity.
- (f) An eligible private or independent engineering institution must match the amount of the grant with an equal amount of contributions made by that institution for the project or activity for which the grant is awarded.